

Message Text

SECRET

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62

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SCI-06 L-03 INR-10 SS-20 SPC-03

SSO-00 INRE-00 RSC-01 DRC-01 /067 W

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O R 220111Z MAR 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 1392

INFO AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

S E C R E T JAKARTA 3506

STADIS////////////////////////////////////

EO 11652: GDS

TAGS: ENRG,JA,ID

SUBJECT: ENERGY: PACIFIC LIGHTING LNG CONTRACT

REF : TOKYO 3638

1. SUMMARY. PACIFIC LIGHTING (PL)-PERTAMINA LNG DISCUSSIONS APPEAR STALEMATED. PL OFFERED PARTIAL LINK OF OIL AND GAS PRICES AND PRICE INCREASE FROM 63 CENTS PER MILLION BTU'S TO 86 CENTS F.O.B. WHILE PERTAMINA REQUESTED ABOUT \$1.40 F.O.B. PL'S US MANAGEMENT NOW CONSIDERING POSSIBLE COMPROMISE BUT PL REPS IN JAKARTA NOT RPT NOT OPTIMISTIC AGREEMENT CAN BE REACHED. END SUMMARY

2. IN EFFORT MEET INDON REQUEST TO MODIFY LNG CONTRACT BY INCREASING F.O.B. SALES PRICE AND LINKING PRICE OF GAS TO CRUDE OIL, PL REPS (TODD, O'ROURKE AND BUTLER) OFFERED PRICING FORMULA BASED 50 PER CENT ON PRICE ON INDON CRUDE (USING \$8 BASE PRICE) AND 50 PER CENT ON BASE OF U.S. BUREAU OF LABOR STATISTICS INDEX OF "200" (JANUARY 1 LEVEL). THIS FORMULA INCREASES BASE PRICE FROM

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63 CENTS TO 86 CENTS PER MILLION BTU'S F.O.B.

INDONESIA.

3. INDONS COUNTERED BY ASKING \$1.40 F.O.B.--
EMPHASIZING THIS PRICE 30 CENTS PER MILLION BTU'S
LESS THAN JAPANESE ON F.O.B. BASIS. PL REPS TOLD
INDONS PRICE TOO HIGH AND THAT EVEN IF PL MANAGEMENT
ACCEPTED FPC DECISION MAY TAKE 1 TO 1 1/2 YEARS AND
WOULD PROBABLY BE NEGATIVE. INDONS INDICATED FPC
DELAY MAY NOT BE OBSTACLE. PL REPS INFORMED U.S.
MANAGEMENT AND AWAIT GUIDANCE. PL REPS PLAN VISIT
ACEH MARCH 22-23, LEAVE FOR AUSTRALIA MARCH 24, AND
MAY RETURN JAKARTA EARLY APRIL TO RESUME DISCUSSIONS.

4. LAST NIGHT LA OFFICE INFORMED PL REPS THAT PL
GROUP-V.P. PROCTOR MET UNDER SECRETARY DONALDSON
AND ASSISTANT SECRETARY INGERSOLL WHO TOLD PROCTOR
USG DID NOT NOW CONTEMPLATE USG INVOLVEMENT. PL REPS
SAID SO FAR PL HAD ONLY LIMITED CONTACT WITH JAPANESE,
MENTIONING MEETING WITH MORGAN STANLEY REPS REPORTED
REFTEL. HOWEVER, IF NEW CONTRACT AGREEMENT REACHED WITH PER-
TAMINA, PL WOULD PROBABLY TRY TO DEVELOP UNDERSTANDING WITH
JAPANESE AIMED AT AVOIDING CONTRACT CHANGES IN FUTURE. TODD
STATED PERTAMINA HAD SPECIFICALLY ENJOINED PL FROM
DISCUSSING PRICE WITH JAPANESE. HE SAID JAPANESE SHOULD
BE APPROACHED CAREFULLY ON THIS ISSUE TO AVOID BACKFIRE
IN INDONESIA. PL REPS SAID PROCTOR PLANS SEE ENERGY
ADMINISTRATOR SIMON MARCH 22.

5. COMMENT: GIVEN CURRENT STATE OF PLAY, PROSPECTS
NEM FOR PERTAMINA-PL AGREEMENT. PERTAMINA WASHDC REP
BENSON TOLD EMBOFF IBNU SAID TWICE HE COULD ACCEPT NO
MORE THAN 30 CENTS DIFFERENCE IN F.O.B. PRICE. HOWEVER,
SINCE NEITHER PARTY HAS BROKEN OFF NEGOTIATIONS, SOME
FLEXIBILIITY IN POSITIONS MAY EXIST. INTRIGUING THAT
INDONS SEEM PREPARED WAIT ONE TO ONE-HALF YEARS FOR FPC
RULING THAT PROBABLY WOULD BE NEGATIVE. POSSIBLE FACTORS
ARE THAT PERTAMINA: 1) NEEDS EXIM FINANCING FOR
LIQUEFACTION PLANT AND UNSURE EXIM WOULD AGREE UNLESS
LNG SALE IS MADE TO U.S.; AND, 2) UNCERTAIN WHETHER SOME
NATURAL GAS NOW SLATED FOR LNG BETTER UTILIZED FOR
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PETROCHEMICAL OR FERTILIZER PROJECTS.
NEWSOM

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Message Attributes

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